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## **Executive Summary Report**

**Appraisal Date 1/1/07 - 2007 Assessment Year**

**Specialty Name: Fast Food and Institutional Restaurants**

**Previous Physical Inspection: Last year, 73 parcels were inspected in neighborhood 10.**

**Current Physical Inspection: This year, 134 parcels were inspected in neighborhood 20.**

**Income tables were used as an aid for revaluation. Neighborhood 10 is North Seattle, 20 is South Seattle, 30 is the Eastside, 40 is rural King County and 50 is institutional restaurants countywide. Tables are shown in a section of this report.**

### **Sales - Improved Summary:**

Number of Sales: 8

Range of Sale Dates: 6/04– 9/06

### **Sales – Ratio Study Summary**

See attached ratio summary for 2007 values compared to current sales. The COV is 5.56%, the COD is 4.21%, the median ratio is 97.9% and the weighted mean ratio is 100.5%. These are acceptable indicators of uniformity and value level.

Sales used in Analysis: All improved sales, which were verified as good, were included in the analysis.

### **Population - Improved Parcel Summary Data**

2007 values: Land \$223,862,220 Imps \$96,117,280 Total \$319,979,500

2008 values: Land \$256,925,100 Imps \$85,481,000 Total \$342,406,100

**Total change in value of land and improvements: +7.01%.**

Number of improved Parcels in the Population: 312

### **Conclusion and Recommendation:**

Since the values recommended in this report achieve assessment level and equity in compliance with IAAO standards, we recommend posting them for the 2007 Assessment Year.

## **Analysis Process**

### ***The Area and responsible Appraisers***

The area includes the subject specialty in the entirety of King County.

Michael D. Jolly was the appraiser of all economic improved packages. The neighborhood appraisers were responsible for the land valuations.

### ***Highest and Best Use Analysis***

In most cases, the fast food restaurant sites were improved to their highest and most profitable use. In cases where the subjects were located in high-density urban settings, market rent tended to obsolesce the improvements to the land.

### ***Special Assumptions, Departures and Limiting Conditions***

The income and market approaches were considered to be most appropriate for this specialty. The market sales, although few, were considered. Most of the available sales were either allocations of portfolios, sale leasebacks or sales of corporate stores to tenants already in place. Very few sales were absolutely clean of business considerations and therefore did not meet the standard of fair market transactions of real property.

Due to the highly competitive nature of this specialty, information of a confidential nature is very difficult to obtain. The appraiser gathered as many market rents as possible of the real estate solely and extrapolated those rents into total values. Total value is expressed through net income capitalization. This process yields an allocation of improvement value and a land value. By using market rents of anywhere from \$20/square foot to \$40/square foot (net), the appraiser is confident that he has equalized the entire specialty on a basis of location, quality, economy of scale and improvement condition.

The cost approach was considered for this revaluation to be the least reliable indicator of value. Cost estimates are calculated in the Real Property Records. The cost approach was most heavily considered in valuation of the newest restaurants.

The appraiser relied primarily on the income approach in the appraisal of the subject properties. Capitalization of market rent was used and is considered to be the most appropriate approach to equalization. In most cases, a 5% vacancy and credit loss and 10% expense ratio was applied. Most of the population's net operating income streams were capitalized at 8%. Assessment level for the population has changed little in previous years. After consideration of sales data as found in information of the CoStar group, the determination was made to use the previous over-all rate of 8%. Income tables were applied to the entire population in a mass appraisal. Those tables are found at the end of this report.

Under no circumstances were business enterprise or personal or personal property values included in the Assessor's appraisals. Every effort was made, through the use of market rent, to eliminate any possibility of value estimates that included anything but the value of the real estate.

The following Departmental guidelines were considered and adhered to:

- Sales from 6/04 to 9/06 at a minimum were considered in all analyses.
- No market trends were applied to sales prices.
- This report intends to meet the Appraisal Practice, Standard 6. requirements of the Standards of Professional Uniformity.

## ***Identification of the Area***

**Name or Designation:** Fast Food and Institutional Restaurants.

**Boundaries:** King County

### **Maps:**

Assessor's maps as found on the 7<sup>th</sup> floor of the King County Administration Building.

### **Area Description:**

King County has a total population of 1,685,600 (2000 Census). The entire Puget Sound region (Everett, Bellevue, Tacoma, Seattle and suburbs) accounts for a little more than half of the total population of Washington.

King County has experienced an unparalleled growth, in recent years, of population, building and economic prosperity. Housing has become scarce and commands premium prices. High-rise urban condominiums have become a significant factor of managed density in the urban core. Aircraft manufacturing, port traffic, computer software and hardware, service industries and retail enterprises all contribute to the diversified economic strength of the region. Boeing has just rolled out the new 787 "Dreamliner," which is going to contribute significantly to the local economy for years to come. The area is home to many corporations with national and international impact. The Seattle-Tacoma area is a leading player in trade with the Pacific Rim. Strong tourism is fueled by the region's natural beauty, cultural sophistication and availability of professional and collegiate sports. Recently, it was announced that Seattle is the third most popular destination (behind Las Vegas and Orlando) for summer tourists in the United States

The fast food and institutional restaurant business is highly competitive. Overall, Burger King, Jack in the Box, Wendy's and McDonald's seem to have stable market shares. As noted last year, some sales involved 20 year guaranteed income streams. At \$500 to \$650 per square foot of net rentable area, these sales are viewed as financing tools that contain elements of business value and dismissed as being non-arm's length transactions. These sales cannot be even remotely reconciled with any reasonable cost approach. Any changes in value would be due to change in land value, adjustment for equalization purposes and a lowering of the average over-all capitalization rate to 8%. This rate is reflected in the retail commercial market and in sales of fast food restaurant income streams.

## ***Preliminary Ratio Analysis***

A Preliminary Ratio Study was done in June 2007.

The study included sales of improved parcels and showed a COV of 4.68 %.

Preliminary ratio study shows a weighted mean of 99.7.%.

## ***Scope of Data***

### **Improved Parcel Total Value Data:**

Sales information is obtained from excise tax affidavits and reviewed initially by the Accounting Division, Sales Identification Section. Information is analyzed and investigated by the appraiser in the process of revaluation. All sales were verified if possible by calling either the purchaser or seller, inquiring in the field or calling the real estate agent. Characteristic data is verified for all sales if possible. Due to time constraints, interior inspections were limited. Sales are listed in the "Sales Used" and "Sales Not Used" sections of this report. Additional information resides in the Assessor's procedure manual located in the Public Information area of the King County Administration Building.

## **Land Value**

### ***Land Sales, Analysis, Conclusions***

All land was appraised by the geographic appraisers.

### **Improved Parcel Total Values:**

#### ***Sales comparison approach model description***

The few sales that were found to be good were used as market indicators of the upper and lower limits of value in the marketplace. It is important to note that the sales sample is considered to be insufficient to make reasonable statistical assumptions.

#### ***Cost approach model description***

In those areas where a cost approach was performed, the Marshall & Swift Commercial Estimator was used. Depreciation was also based on studies done by Marshall & Swift Valuation Service. The cost was adjusted to the western region and the Seattle area.

#### **Cost calibration**

Each appraiser valuing new construction can individually calibrate Marshall-Swift valuations to specific buildings in our area by accessing the computerized valuation model supplied by Marshall & Swift.

#### ***Income capitalization approach model description***

Income was derived from surveys and indications from sales verification sheets as provided by CoStar.

### **Income approach calibration**

The models were calibrated after setting base rents by using adjustments based on size, effective age, construction class and quality as recorded in the Assessor's records.

## **Model Validation**

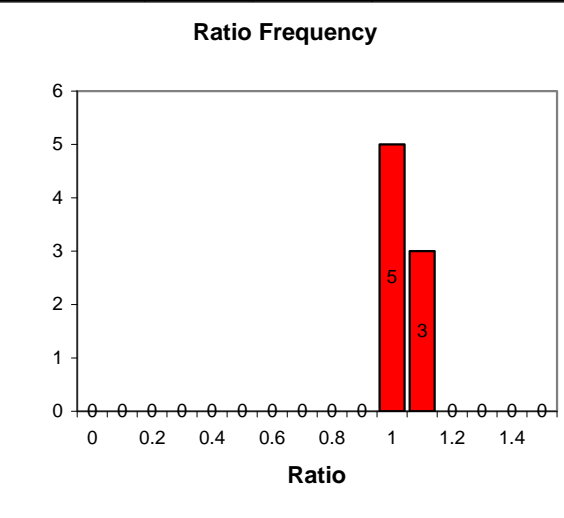
### ***Total Value Conclusions, Recommendations and Validation:***

Appraiser judgment prevails in all decisions regarding individual parcel valuation. Each parcel is field reviewed and a value selected based on general and specific data pertaining to the parcel, the neighborhood, and the market. The Appraiser determines which available value estimate may be appropriate and may adjust for particular characteristics and conditions as they occur in the valuation area.

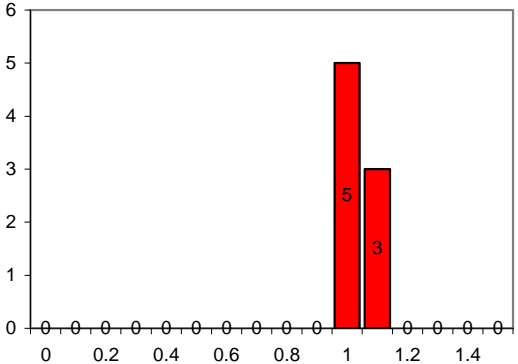
The standard statistical measures of valuation performance are all within IAAO guidelines and are presented both in the Executive Summary and in the 2006 and 2007 Ratio Analysis charts included in this report.

Application of these recommended values for the 2007 assessment year results in an average total change from the 2006 assessments of +7.01%. This increase is due to increasing land values, transfer of new parcels from the geographic appraisal areas to this specialty and ongoing appreciation and equalization of the subject properties.

### 2006 Assessment Year

Quadrant/Crew:	Lien Date:	Date:	Sales Dates:
North Crew	1/1/2006	7/3/2007	06/11/04 - 09/26/06
Area	Appr ID:	Prop Type:	Trend used?: Y / N
413-000	MJOL	Improvement	N
SAMPLE STATISTICS			
Sample size (n)	8		
Mean Assessed Value	778,800		
Mean Sales Price	781,100		
Standard Deviation AV	289,408		
Standard Deviation SP	288,589		
ASSESSMENT LEVEL			
Arithmetic mean ratio	0.996	<div>These figures reflect 2006 assessment leveled compared to current market sales.</div>	
Median Ratio	0.979		
Weighted Mean Ratio	0.997		
UNIFORMITY			
Lowest ratio	0.9541		
Highest ratio:	1.0951		
Coefficient of Dispersion	3.39%		
Standard Deviation	0.0466		
Coefficient of Variation	4.68%		
Price-related Differential	1.00		
RELIABILITY			
95% Confidence: Median			
Lower limit	0.954		
Upper limit	1.095		
95% Confidence: Mean			
Lower limit	0.963		
Upper limit	1.028		
SAMPLE SIZE EVALUATION			
N (population size)	312		
B (acceptable error - in decimal)	0.05		
S (estimated from this sample)	0.0466		
Recommended minimum:	3		
Actual sample size:	8		
Conclusion:	OK		
NORMALITY			
Binomial Test			
# ratios below mean:	5		
# ratios above mean:	3		
z:	0.353553391		
Conclusion:	Normal*		
*i.e., no evidence of non-normality			

### 2007 Assessment Year

Quadrant/Crew:	Lien Date:	Date:	Sales Dates:
North Crew	1/1/2007	7/3/2007	6/11/04 - 09/26/06
Area	Appr ID:	Prop Type:	Trend used?: Y / N
413-000	MJOL	Improvement	N
SAMPLE STATISTICS			
Sample size (n)	8	<div><div>Ratio Frequency</div></div>	
Mean Assessed Value	785,100		
Mean Sales Price	781,100		
Standard Deviation AV	290,603		
Standard Deviation SP	288,589		
ASSESSMENT LEVEL			
Arithmetic mean ratio	1.004	<div>These figures reflect 2007 assessment level compared to current market sales.</div>	
Median Ratio	0.979		
Weighted Mean Ratio	1.005		
UNIFORMITY			
Lowest ratio	0.9541		
Highest ratio:	1.0951		
Coefficient of Dispersion	4.21%		
Standard Deviation	0.0558		
Coefficient of Variation	5.56%		
Price-related Differential	1.00		
RELIABILITY			
95% Confidence: Median			
Lower limit	0.954		
Upper limit	1.095		
95% Confidence: Mean			
Lower limit	0.965		
Upper limit	1.042		
SAMPLE SIZE EVALUATION			
N (population size)	312		
B (acceptable error - in decimal)	0.05		
S (estimated from this sample)	0.0558		
Recommended minimum:	5		
Actual sample size:	8		
Conclusion:	OK		
NORMALITY			
Binomial Test			
# ratios below mean:	5		
# ratios above mean:	3		
z:	0.353553391		
Conclusion:	Normal*		
*i.e., no evidence of non-normality			



***Improvement Sales for Area 413 with Sales Used***

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
413	010	276820	0165	1,455	2087466	\$421,000	10/05/04	\$289.35	DOMINO'S PIZZA	NC1-30	1	Y	
413	020	030150	0290	3,330	2047197	\$1,110,000	06/11/04	\$333.33	BURGER KING RESTAURANT	M1	1	Y	
413	020	250060	0590	3,078	2111541	\$789,696	02/25/05	\$256.56	BURGER KING	GC	1	Y	
413	020	433100	0326	4,282	2163651	\$1,135,000	10/19/05	\$265.06	DAIRY QUEEN	CC-1	1	Y	
413	020	630340	0986	0	2059786	\$580,000	07/29/04	\$0.00	TACO BELL	CB	1	Y	
413	020	915010	0100	2,423	2235909	\$400,000	08/21/06	\$165.08	DAIRY QUEEN	C3	1	Y	
413	050	212104	9077	4,830	2243816	\$942,775	09/26/06	\$195.19	DENNY'S RESTAURANT	BC	1	Y	
413	050	766620	4275	3,359	2109828	\$870,561	03/17/05	\$259.17	DENNY'S RESTAURANT	IG1 U/8	1	Y	

***Improvement Sales for Area 413 with Sales Not Used***

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
413	000	030150	0315	5,860	2050749	\$574,343	06/29/04	\$98.01	VACANT LAND	C3	1	N	Sale was for land only
413	010	162604	9070	1,867	2144489	\$125,000	08/04/05	\$66.95	TACO BELL	C.C.	1	39	Assumption of mortgage w/no addl con
413	010	182604	9312	3,448	2264428	\$1,768,431	02/03/07	\$512.89	TACO BELL	RB	1	11	Corporate affiliates
413	010	186240	0495	4,003	2193222	\$600,000	03/16/06	\$149.89	McDonalds/Chevron	C1-40	1	33	Lease or lease-hold
413	010	276820	0165	1,455	2227007	\$115,994	07/31/06	\$79.72	DOMINO'S PIZZA	NC1-30	1	22	Partial interest (1/3, 1/2, etc.)
413	010	686520	0110	1,369	2099415	\$710,000	01/28/05	\$518.63	KIDD VALLEY	NC2-30	1	11	Corporate affiliates
413	010	794630	0230	1,320	2099404	\$537,761	01/28/05	\$407.39	KIDD VALLEY HAMBURGERS	RB	2	11	Corporate affiliates
413	010	919120	1440	800	2099409	\$380,000	01/28/05	\$475.00	KIDD VALLEY HAMBURGERS	NC2-40	1	N	Sale appears to include business value
413	020	000080	0023	2,256	2023363	\$1,061,633	02/23/04	\$470.58	JACK-IN-THE-BOX	C3	1	N	Sale appears to include business value
413	020	000080	0023	2,256	2054546	\$1,278,105	06/25/04	\$566.54	JACK-IN-THE-BOX	C3	1	N	Sale appears to include business value
413	020	000080	0023	2,256	2073786	\$1,622,762	09/28/04	\$719.31	JACK-IN-THE-BOX	C3	1	N	Sale appears to include business value
413	020	000080	0031	3,300	2026328	\$400,000	03/15/04	\$121.21	DAIRY QUEEN RESTAURANT	C3	1	1	Personal property included
413	020	172205	9016	0	2027716	\$1,076,947	03/10/04	\$0.00	JACK IN THE BOX REST	CC-MU	1	11	Corporate affiliates
413	020	172205	9016	2,724	2055297	\$1,189,358	06/25/04	\$436.62	JACK IN THE BOX REST	CC-MU	1	11	Corporate affiliates
413	020	250060	0660	3,117	2131916	\$650,000	06/14/05	\$208.53	TERIYAKI/BASKIN-ROBBINS	H-C	1	11	Corporate affiliates
413	020	362403	9170	2,393	2136558	\$335,443	06/23/05	\$140.18	MCDONALDS	C1-40	1	11	Corporate affiliates
413	020	426570	0195	1,240	2096897	\$910,800	01/17/05	\$734.52	JACK IN THE BOX	C1-40	1	N	Sale appears to include business value
413	020	537980	1190	2,100	2139173	\$555,000	07/14/05	\$264.29	TACO TIME	CB-C	1	43	Development rights parcel to prvt se
413	020	785360	0186	1,906	2095603	\$800,000	12/28/04	\$419.73	JACK IN THE BOX	BC	1	7	Questionable per sales identificatio
413	030	092405	9052	1,780	2067484	\$1,715,000	09/01/04	\$963.48	TACO BELL	GC	1	N	Sale appears to include business value
413	030	282605	9186	2,135	2063979	\$400,000	08/04/04	\$187.35	PIZZA HUT	FC I	1	18	Quit claim deed
413	030	347180	0050	1,645	2099406	\$1,150,000	01/28/05	\$699.09	KIDD VALLEY HAMBURGERS	RM 3.6	2	1	Personal property included
413	040	322305	9087	2,993	2232196	\$2,065,000	08/23/06	\$689.94	ARBYS RESTAURANT	OSO	1	1	Personal property included
413	050	102605	9102	3,500	2115194	\$26,348,000	04/14/05	\$7,528.00	ROUND TABLE PIZZA -	CBD	1	N	Sale is inclusive of an entire shopping

									WOODINVILLE				center
413	050	206350	0025	5,391	2197582	\$600,000	03/30/06	\$111.30	COCO'S RESTAURANT	RC	1	33	Lease or lease-hold
413	050	212104	9077	4,830	2194282	\$2,350	03/09/06	\$0.49	DENNY'S RESTAURANT	BC	1	22	Partial interest (1/3, 1/2, etc.)
413	050	322505	9201	5,563	2197583	\$4,850,000	03/30/06	\$871.83	COCO'S	CBD- OLB	1	36	Plottage